

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSY-02 AID-05 CIEP-01 /068 W

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R 102105Z DEC 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6077

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

C O N F I D E N T I A L BOGOTA 10846

E O 11652 GDS

TAGS EINV CO

SUBJ: STATUS OF FORN ACCOUNTING FIRMS

REF BOGOTA 10435

SUMMARY: IN CONVERSATION WITH EMBOFF, FONOFF OFFICIAL (SOTO) REITERATED HIS TESTIMONY BEFORE SENATE COMMISSION REGARDING FORN ACCOUNTING FIRMS' INVOLVEMENT IN ECONOMIC ESPIONAGE AND TAX EVASION. HOWEVER, WRITTEN STATEMENT FROM FONMIN TO COMMISSION IS SOFTER INTONE. IN ANY EVENT, LAW APPEARS TO HAVE BEEN SIDE-TRACKED IN SENATE IN FAVOR OF HIGHER PRIORITY LEGISLATION.

1) DURING CALL AT FONOFF LAST WEEK, ECON COUNSELOR DISCUSSED QUESTION OF FORN ACCOUNTING FIRMS WITH ROBERTO SOTO. APPROACH WAS MADE ON THE BASIS THAT IF FIRMS ARE GUILTY OF BREAKING THE LAW, WE WOULD LIKE TO KNOW ABOUT IT. ECON COUNSELOR RAISED SPECIFICALLY SOTO'S APPEARANCE BEFORE SEN COMMISSION DURING WHICH HE A) IMPLIED THAT FIRMS WERE GUILTY OF ECONOMIC ESPIONAGE AND B) CHARGED FIRMS WITH TAX EVASION.

2) SOTO NOTED THAT ECONOMIC ESPIONAGE MATTER WAS BASED ON VENEZUELAN MAGAZINE ARTICLE AND THAT HE HAD NOT MADE THE CHARGE DIRECTLY. HE ADDED THAT ECONOMIC ESPIONAGE COULD BE DEFINED AS AN ACCOUNTING

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FIRM WHICH, BASED ON ITS INTIMATE KNOWLEDGE OF COLOMBIAN BUSINESS,

MIGHT ADVISE A FORN CLIENT WHETHER OR NOT A PARTICULAR COLOMBIAN COMPANY WOULD BE A SOUND INVESTMENT RISK. COUNSELOR NOTED THAT THIS KIND OF INFO WAS READILY AVAILABLE FROM NUMEROUS COMMERCIAL REPORTING FIRMS AND BANKS. WITH REGARD TO TAX EVASION, SOTO CLAIMED THAT TWO FORN FIRMS HAD BEEN FOUND GUILTY OF THIS WITHIN RECENT YEARS. (COMMENT: A COMPANY REP MAINTAINS TO US THAT NO FIRM HAS BEEN FOUND BGUILTY OF OR CHARGED WITH TAX EVAION.) SOTO SAID HE COULD NOT NAME THE COMPANIES INVOLVED, AS THE MATTER WAS OUTSIDE THE JURISDICTION OF THE FORN OFFICE AND THE CONFIDENTIALITY OF TAX MATTERS WAS PROTECTED BY LAW.

3) FOLLOWING SOTO'S TESTIMONY BEFORE SEN COMMISSION, FONMIN LIEVANO PROVIDED COMMISSION WRITTEN STATEMENT ON PROJECT LAW 149. WHILE FONMIN'S STATEMENT GENERALLY SUPPORTS THE NEED FOR CLOSER REGULATION OF FORN ACCOUNTING FIRMS, IT DOES NOT REPEAT CHARGE OF TAX EVASION AND ONLY VERY INDIRECTLY TOUCHES ON QUESTION OF ECONOMIC ESPIONAGE. MOREOVER, PAST PARA SUGGESTS THAT LEGISLATION NOT BE CARRIED TO THE LIMITS OF EXCESSIVE PROTECTIONISM, BECAUSE THIS WOULD LEAD TO INEFFICIENCY WITHIN THE PROFESSION (COPY OF STATEMENT BEING POUCHED ARA/NC).

4) WITHIN SENATE ITSELF, CONSIDERATION OF PROJECT LAW 149 APPEARS TO HAVE BEEN SIDETRACKED IN FAVOR OF HIGHER PRIORITY LEGISLATION WHICH EXECUTIVE WANTS PASSED BEFORE ADJOURNMENT. IF LAW 149 REMAINS BURIED AND UNLESS IT COMES BEFORE A SPECIAL SESSION, IT WILL NOT BE CONSIDERED BEFORE OPENING OF CONGRESS NEXT JULY. WHITE

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Subject:** STATUS OF FORN ACCOUNTING FIRMS  
**TAGS:** EINV, CO, US, (SOTO, ROBERT)  
**To:** STATE  
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